

DRAFT #4
June 3, 2020

Financial Statements of

**TORONTO AND REGION
CONSERVATION AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Toronto and Region Conservation Authority

Opinion

We have audited the financial statements of the Toronto and Region Conservation Authority (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Financial Position

(In thousands of dollars)

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Financial assets:		
Cash (note 2)	\$ 32,593	\$ 24,095
Investments (note 3)	10,003	16,057
Receivables (notes 4 and 14)	29,573	24,845
	<u>72,169</u>	<u>64,997</u>
Liabilities		
Financial liabilities:		
Payables and accrued liabilities	16,663	17,821
Vacation pay entitlements	2,882	2,669
Deferred revenue (note 5)	40,485	38,702
Derivative financial instrument (note 6)	3,100	–
	<u>63,130</u>	<u>59,192</u>
Net financial assets	9,039	5,805
Non-financial assets:		
Other assets	943	1,018
Tangible capital assets (note 7)	439,855	468,697
	<u>440,798</u>	<u>469,715</u>
Accumulated surplus (note 8)	<u>\$ 449,837</u>	<u>\$ 475,520</u>

Contingent liabilities and commitments (note 15)

Subsequent event (note 18)

See accompanying notes to financial statements.

On behalf of Toronto and Region Conservation Authority:

_____ Chair

_____ Secretary Treasurer

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Operations and Accumulated Surplus

(In thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 16)	2019 Actual	2018 Actual
Revenue:			
Government funding (note 9)	\$ 161,480	\$ 100,991	\$ 92,334
Authority generated (notes 10 and 14)	41,954	36,063	36,823
Investment income	716	956	851
	<u>204,150</u>	<u>138,010</u>	<u>130,008</u>
Expenses (note 11):			
Watershed Studies and Strategies	3,806	3,805	3,042
Water Risk Management	93,610	46,554	31,774
Regional Biodiversity	22,249	16,261	16,727
Greenspace Securement and Management	10,577	4,087	5,309
Tourism and Recreation	18,922	19,581	20,990
Planning and Development Review	11,401	9,890	10,106
Education and Outreach	16,267	9,737	8,785
Sustainable Communities	10,434	8,464	9,083
Corporate Services	26,709	11,242	10,742
	<u>213,975</u>	<u>129,621</u>	<u>116,558</u>
Net surplus (deficit) before the undernoted	(9,825)	8,389	13,450
Unrealized loss on derivative financial instrument (note 6)	–	(3,100)	–
Net loss on disposal of tangible capital assets (note 7)	–	(30,972)	(2,817)
Net surplus (deficit)	(9,825)	(25,683)	10,633
Accumulated surplus, beginning of year	475,520	475,520	464,887
Accumulated surplus, end of year	<u>\$ 465,695</u>	<u>\$ 449,837</u>	<u>\$ 475,520</u>

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Changes in Net Financial Assets

(In thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 16)	2019 Actual	2018 Actual
Net surplus (deficit)	\$ (9,825)	\$ (25,683)	\$ 10,633
Acquisition of tangible capital assets	–	(8,665)	(17,437)
Contributed tangible capital assets (note 7)	–	(1,710)	(376)
Net loss on disposal of tangible capital assets (note 7)	–	30,972	2,817
Write-off of tangible capital assets	–	91	40
Proceeds on disposal of tangible capital assets	–	74	43
Amortization of tangible capital assets	–	8,080	8,085
Change in other assets	–	75	(77)
Increase (decrease) in net financial assets	(9,825)	3,234	3,728
Net financial assets, beginning of year	5,805	5,805	2,077
Net financial assets, end of year	\$ (4,020)	\$ 9,039	\$ 5,805

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Cash Flows

(In thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Net surplus (deficit)	\$ (25,683)	\$ 10,633
Items not involving cash:		
Amortization of tangible capital assets	8,080	8,085
Accrued interest income on investments	(222)	(264)
Unrealized loss on derivative financial instrument	3,100	–
Net loss on disposal of tangible capital assets	30,972	2,817
Write-off of tangible capital assets	91	40
Contributed tangible capital assets	(1,710)	(376)
Change in non-cash operating working capital:		
Receivables	(4,728)	(4,653)
Other assets	75	(77)
Payables and accrued liabilities	(1,158)	3,366
Vacation pay entitlements	213	6
Deferred revenue	1,783	1,294
	<u>10,813</u>	<u>20,871</u>
Investing activities:		
Purchase of investments	(142)	(140)
Proceeds on maturity of investments	6,418	6,344
	<u>6,276</u>	<u>6,204</u>
Capital activities:		
Purchase of tangible capital assets	(8,665)	(17,437)
Proceeds on disposal of tangible capital assets	74	43
	<u>(8,591)</u>	<u>(17,394)</u>
Increase in cash	8,498	9,681
Cash, beginning of year	24,095	14,414
Cash, end of year	<u>\$ 32,593</u>	<u>\$ 24,095</u>

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements

(In thousands of dollars)

Year ended December 31, 2019

Toronto and Region Conservation Authority ("TRCA") delivers programs and services that further the conservation, restoration, development and management of natural resources other than gas, oil, coal and minerals. As the largest of the 36 provincial conservation authorities, TRCA's area of jurisdiction spans nine watersheds including those within the City of Toronto and areas in the Regional Municipalities of Durham, Peel and York (including lower tier municipalities), the Township of Adjala-Tosorontio and Town of Mono.

TRCA is incorporated under the Conservation Authorities Act, having commenced operations in 1957. TRCA is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

1. Significant accounting policies:

The financial statements for TRCA are the responsibility of and prepared by management in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook, that sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS"), excluding Sections PS4200 and PS4270, with the following significant accounting policies:

(a) Basis of accounting:

The financial statements are prepared using an accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Accrual accounting recognizes a liability until the obligation(s) or condition(s) underlying the liability is partly or wholly satisfied. Accrual accounting recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

(b) Revenue recognition:

Government funding including transfers, municipal capital and operating levies, grants, contract services and management fees are recognized in the financial statements when the payments are authorized and all eligibility criteria have been met, except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the funding is recorded as deferred revenue and recognized as revenue as the stipulations are met.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued):

Authority generated revenues including property rental income, contract services, admissions and parking, permits (development, camping, picnic, commercial filming and photography), environmental assessments, programs (education, family and community), events (weddings, festivals and corporate events), athletic fees and equipment rentals, program and event sponsorships, product sales (nursery, food, beverage and merchandise) and membership fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have not been performed are recorded as deferred revenue and recognized as revenue when the related services are performed. Unrestricted donations are recorded as revenue in the period they are received or receivable, when a reasonable estimate can be made of the amount involved. Externally restricted donations are deferred and recognized as revenue in the year in which the related expenses are recognized. Donated tangible capital assets are recorded at fair market value, when fair market value can be reasonably estimated.

(c) Cash:

Cash consists of cash on hand, cashable guaranteed investment certificates, and all deposits in banks including interest bearing savings accounts.

(d) Investments:

Investments, which consist of non-cashable guaranteed investment certificates, bonds and a portfolio with the One Investment Program, are recorded at cost. Investment income, including interest and dividends, is recognized when earned. Any discount or premium arising on purchase is amortized over the period to maturity. If there is a permanent loss in value, an investment will be written down to recognize the loss. Any write-down would be included in the statement of operations and accumulated surplus.

(e) Other assets:

Other assets include inventory for resale and prepaid expenses. Merchandise, food and beverage inventory for resale is valued at the lower of cost and net realizable value. Nursery inventory is valued at the lower of cost and replacement value. Cost is determined on a first-in, first-out basis.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts directly attributable to acquisition, design, construction development, improvement or betterment of the assets. Costs include overhead directly attributable to construction and development as well as interest costs that are directly attributable to the acquisition or construction of the asset. The cost, less the residual value of the tangible capital assets, is amortized on a straight-line basis over the estimated useful lives as follows:

Assets	Years
Infrastructure	25 - 50
Buildings and building improvements	10 - 55
Land improvements	20 - 40
Machinery and equipment	5 - 20
Vehicles	6 - 25

Tangible capital assets are written down when conditions indicate they are no longer able to contribute to TRCA's ability to provide goods or services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations and accumulated surplus.

Contributed tangible capital assets are recorded at fair market value on the date of contribution, except in circumstances where fair market value cannot be reasonably determined, and a nominal value is recorded.

TRCA's collection of historical treasures, including artifacts and buildings, and works of art are not recognized in the financial statements.

(g) Vacation pay entitlements:

Vacation entitlements are accrued for as earned by employees. The liability for the accumulated vacation days represents management's best estimate as to TRCA's future liability.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(h) Contaminated sites:

Contaminated sites are the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceed an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met: (a) an environmental standard exists; (b) contamination exceeds the environmental standard; (c) TRCA is directly responsible or accepts responsibility for the liability; (d) future economic benefits will be given up; and (e) a reasonable estimate of the liability can be made. Changes in this estimate are recorded in TRCA's statement of operations and accumulated surplus.

(i) Employee pension plan:

The cost of the multi-employer defined benefit pension plan is recognized as the required contributions for employees' services rendered in the year.

(j) Reserves:

TRCA internally allocates its accumulated surplus to capital reserves to finance the cost of tangible capital assets, purchases, maintenance and related expenditures and operating reserves in order to ensure funds are available for financial relief in the event of a significant loss of revenues or other financial emergency for which no other source of funding is available. These reserve allocations are directed by the Board of Directors of TRCA.

(k) Derivative financial instrument:

Derivative financial instruments are initially recorded and subsequently measured at fair value.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the year. Items requiring the use of significant estimates include allowance for doubtful accounts, accrued liabilities, vacation pay entitlements, derivative financial instrument and tangible capital assets. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(m) Adoption of accounting policy:

Effective January 1, 2019, TRCA adopted the following standard issued by PSAB:

PS 3430, Restructuring Transactions

The adoption of this standard has not resulted in additional note disclosure.

2. Cash - CTC Source Protection Region:

The Credit Valley, Toronto and Region and Central Lake Ontario Source Protection Region ("CTC Source Protection Region") was established under the Clean Water Act of Ontario to ensure communities protect their drinking water supplies through prevention - by developing collaborative, watershed based source protection plans that are locally driven and based on science. The CTC Source Protection Region's jurisdiction includes the Credit Valley, Toronto and Region and Central Lake Ontario source protection areas, which are represented by the respective conservation authorities under the Clean Water Act. In the current year, the Ministry of the Environment, Conservation and Parks provided funding of \$416 (2018 - \$491) for source protection projects to the TRCA, which delivers the management function on behalf of the CTC Source Protection Region. Interest income of \$7 (2018 - \$10) has been imputed on the unspent balance of the funds. Total funding of \$192 (2018 - \$555) is held in a separate bank account as of December 31, which is included on the statement of financial position as cash, with a corresponding deferred revenue balance.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

3. Investments:

	2019	2018
The One Investment Program:		
Bond Portfolio	\$ 3,771	\$ 3,689
Universe Corporate Bond Portfolio	2,705	2,644
Equity Portfolio	500	500
Guaranteed investment certificates:		
Interest rates: 1.96% - 2.26% (2018 - 1.81% - 2.46%)	1,905	2,943
Years of maturity: 2020 - 2021 (2018 - 2019 - 2021)		
Municipal bonds:		
Interest rates: 1.58% (2018 - 1.58% - 1.84%)	592	1,670
Years of maturity: 2020 (2018 - 2020 - 2021)		
Corporate bond:	530	519
Interest rate: 1.80% (2018 - 1.80%)		
Year of maturity: 2022 (2018 - 2022)		
Provincial bonds:		
Interest rates: nil (2018 - 1.75% - 1.97%)	-	3,295
Years of maturity: nil (2018 - 2020 - 2022)		
Financial institution bonds:		
Interest rates: nil (2018 - 1.72% - 2.58%)	-	797
Year of maturity: nil (2018 - 2020)		
	\$ 10,003	\$ 16,057

The fair market value of the investments at December 31, 2019 is \$9,950 (2018 - \$15,723).

4. Receivables:

	2019	2018
Government funding:		
Municipal	\$ 14,642	\$ 17,507
Federal	2,249	1,218
Provincial	2,963	120
Authority generated:		
Trade	5,946	4,426
The Living City Foundation (note 14)	3,773	1,574
	\$ 29,573	\$ 24,845

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

5. Deferred revenue:

	2019	2018
Government funding (a)	\$ 26,771	\$ 25,809
Authority generated (b)	13,714	12,893
	\$ 40,485	\$ 38,702

(a) Government funding:

				2019	2018
	Balance, beginning of year	Funding received	Funding recognized	Balance, end of year	Balance, end of year
Municipal (note 6(a)):					
Capital levies	\$ 17,696	\$ 44,311	\$ (42,860)	\$ 19,147	\$ 17,696
Contract services	1,188	31,824	(30,783)	2,229	1,188
Grants	1,035	885	(1,020)	900	1,035
Provincial	1,372	5,115	(5,333)	1,154	1,372
Federal	241	3,339	(3,148)	432	241
Revenue sharing policy (i)	4,277	355	(1,723)	2,909	4,277
	\$ 25,809	\$ 85,829	\$ (84,867)	\$ 26,771	\$ 25,809

- (i) The proceeds on the sale of properties in the amount of \$256 (2018 - \$457) is attributed to the Province of Ontario (the "Province") and the member municipalities on the basis of their original contribution when the properties were acquired. The Ministry of Natural Resources and Forestry reserves the right to direct the purpose to which the Province's share of funds may be applied or to request a refund. The balance must always be maintained in proportion to the original contribution by the Province and TRCA, represented by the member municipalities. TRCA is permitted to withdraw the municipal share of the funds provided that the Province's corresponding share is either matched by other sources of funding or returned to the Province. In the current year, nil (2018 - \$204) in funding was recognized in relation to the Greenspace acquisition project. Interest income of \$99 (2018 - \$77) has been including in funding received.

On May 8, 2018, the Ministry of Natural Resources and Forestry approved \$3,538 in funds to be treated as disposition proceeds from land sales associated with the Province's grants toward TRCA's administrative building construction project. In the current year, \$1,723 (2018 - nil) of these funds were recognized.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

5. Deferred revenue (continued):

(b) Authority generated:

				2019	2018
	Balance, beginning of year	Funding received	Funding recognized	Balance, end of year	Balance, end of year
Cash in lieu and compensation	\$ 9,113	\$ 2,134	\$ (1,099)	\$ 10,148	\$ 9,113
Master environmental servicing	2,185	3,626	(3,958)	1,853	2,185
Contract services	799	2,159	(1,784)	1,174	799
Other	429	28,314	(28,489)	254	429
Event deposits	365	511	(593)	283	365
Property easements	2	1,125	(1,125)	2	2
	\$ 12,893	\$ 37,869	\$ (37,048)	\$ 13,714	\$ 12,893

6. Credit facility agreement and derivative financial instrument:

(a) On February 22, 2019, the Board of Directors authorized TRCA to enter into a \$54,000 unsecured, non-committed and non-revolving construction and term loan agreement to support the construction of TRCA's new administrative office building at 5 Shoreham Drive. The agreement was entered into on February 26, 2019 with a Canadian commercial bank and bears interest at the applicable Canada Bankers' Acceptances plus 0.74%, fixed rate by way of interest rate swap or prime rates, depending on the form of borrowing. All amounts drawn under the agreement will be available with a commitment period of up to 10 years from the date of initial drawdown. The construction loan will convert to the term loan on the earlier of substantial completion of the project and November 1, 2021. The principal amount of the term loan is to be repaid in full over a maximum of 30 years from the conversion date. Under the terms of the loan agreement, TRCA is required to comply with certain financial and non-financial covenants.

As at December 31, 2019, no funds have been drawn under the loan agreement.

The municipal partners of TRCA, including the City of Toronto and the Regions of Durham, Peel and York have committed up to \$60,000 of funding for the project over the next 29 years, as approved by their individual Councils.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

6. Credit facility agreement and derivative financial instrument (continued):

- (b) In concurrence with the loan agreement, TRCA entered into an interest rate swap to forwards fix the interest payable at 3.658% on \$50,000 of the available \$54,000 facility.

At December 31, 2019, TRCA has an interest rate exchange agreement in the amount of \$50,000 outstanding and maturing on January 1, 2047. The change in fair value of this contract at December 31, 2019 was an unrealized loss of \$3,100 which has been recorded as a liability on the statement of financial position and unrealized loss on derivative financial instrument on the statement of operations and accumulated surplus.

- (c) On May 22, 2019, TRCA obtained a letter of credit with a Canadian commercial bank to undertake certain work with the Department of Fisheries and Oceans, as required by Fisheries and Oceans Canada. The available amount of credit for this facility amounted to \$2,600 at a rate of 1.05%. On May 31, 2019, \$2,450 of this credit limit was applied to the Ashbridge's Bay project, and \$77 was applied to the Patterson Creek project, expiring on June 12, 2020.

As of December 31, 2019, TRCA had an existing credit facility of \$300 (2018 - \$300) available, with \$273 (2018 - \$273) applied to the Fisleigh Drive project.

7. Tangible capital assets:

2019 - Cost	Opening	Additions	Transfers	Disposals	Closing
Land	\$ 344,145	\$ 1,501	\$ 29	\$ (28,158)	\$ 317,517
Infrastructure	181,101	1,094	2,371	–	184,566
Buildings and building improvements	57,226	359	81	(11,062)	46,604
Land improvements	16,642	408	–	(28)	17,022
Machinery and equipment	7,461	607	–	–	8,068
Vehicles	5,736	439	–	(426)	5,749
Assets under construction	14,846	5,967	(2,481)	(91)	18,241
	\$ 627,157	\$ 10,375	\$ –	\$ (39,765)	\$ 597,767

2019 - Accumulated amortization	Opening	Amortization - net	Disposals	Closing
Infrastructure	\$ 115,573	\$ 4,666	\$ –	\$ 120,239
Buildings and building improvements	29,349	1,673	(8,202)	22,820
Land improvements	6,863	618	(28)	7,453
Machinery and equipment	3,348	685	–	4,033
Vehicles	3,327	438	(398)	3,367
	\$ 158,460	\$ 8,080	\$ (8,628)	\$ 157,912

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

7. Tangible capital assets (continued):

Net book value	2019	2018
Land	\$ 317,517	\$ 344,145
Infrastructure	64,327	65,528
Buildings and building improvements	23,784	27,877
Land improvements	9,569	9,779
Machinery and equipment	4,035	4,113
Vehicles	2,382	2,409
Assets under construction	18,241	14,846
	\$ 439,855	\$ 468,697

In the current year, TRCA transferred certain lands with a carrying value of \$30,141 (2018 - \$2,744) to Parks Canada for nominal consideration. The land transfers are reflected as a net loss on disposal of tangible capital assets in the statement of operations and accumulated surplus. Further, TRCA received from individual private owners \$1,710 (2018 - \$376) of contributed land and buildings within the Greenspace Securement and Management service area.

8. Accumulated surplus:

	2019	2018
Tangible capital assets	\$ 439,855	\$ 468,697
Unfunded vacation pay entitlements	(1,157)	(1,227)
Unrestricted reserves	14,239	8,050
Unrealized loss on derivative financial instrument	(3,100)	—
	\$ 449,837	\$ 475,520

9. Revenue - government funding:

	2019 Budget	2019 Actual	2018 Actual
Municipal:			
Capital levies	\$ 59,425	\$ 44,156	\$ 39,967
Contract services	69,983	30,783	27,474
Operating levies	14,828	14,828	14,322
Other	3,412	1,020	1,399
Provincial	5,432	7,056	5,858
Federal	8,400	3,148	3,314
	\$ 161,480	\$ 100,991	\$ 92,334

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

9. Revenue - government funding (continued):

Municipal capital levies includes \$1,296 (2018 - nil) of funding recognized and receivable as at December 31, 2019.

10. Revenue - authority generated:

	2019 Budget	2019 Actual	2018 Actual
Watershed Studies and Strategies	\$ 31	\$ 828	\$ 53
Water Risk Management	1,439	1,232	1,317
Regional Biodiversity	8,126	3,024	2,653
Greenspace Securement and Management	5,118	5,963	7,059
Tourism and Recreation	10,517	9,925	11,395
Planning and Development Review	9,440	7,419	8,366
Education and Outreach	4,450	3,794	3,543
Sustainable Communities	2,694	2,180	2,182
Corporate Services	139	1,698	255
	\$ 41,954	\$ 36,063	\$ 36,823

11. Expenses by object:

	2019 Budget	2019 Actual	2018 Actual
Compensation (note 13)	\$ 75,943	\$ 67,533	\$ 65,444
Contract services	110,785	43,074	32,483
Materials and supplies	25,369	9,004	8,456
Utilities	1,078	1,245	1,148
Property taxes	800	685	942
Amortization of tangible capital assets	–	8,080	8,085
	\$ 213,975	\$ 129,621	\$ 116,558

12. Public sector salary disclosure:

TRCA is subject to The Public Sector Salary Disclosure Act, 1996, due to funding received from the Province during the current year being in excess of \$1,000. Salaries and taxable benefits for the 73 employees (2018 - 63 employees) that have been paid by TRCA and reported to the Province in compliance with this legislation can be obtained from the Ministry of Finance or upon request from TRCA.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

13. Employee pension plan:

TRCA makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan, on behalf of its qualifying full-time and part-time employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service, pension formula and best 60 months of earnings. Employees and employers contribute equally to the plan.

As OMERS is a multi-employer defined benefit pension plan, any pension plan surpluses or deficits are a joint responsibility of all eligible organizations and their employees. As a result, TRCA does not recognize any share of the OMERS pension funding deficit of \$3,397,000 (2018 - \$4,191,000), as TRCA's portion of the amount is not determinable. TRCA's current service contributions to the OMERS pension plan in the amount of \$4,698 (2018 - \$4,683) are included as compensation expense in the current year.

14. The Living City Foundation:

The Living City Foundation, operating as Toronto and Region Conservation Foundation (the "Foundation"), is an independent, non-controlled registered charitable organization which has its own Board of Directors. As such, TRCA's financial statements do not include the activities of the Foundation.

In the current year, the Foundation contributed \$3,397 (2018 - \$1,091) to TRCA programs, which is included as part of authority generated revenue. As at December 31, 2019, the Foundation has an externally restricted fund balance of \$4,176 (2018 - \$4,674), which is to be used primarily for undertaking TRCA projects, and an operating fund surplus of \$246 (2018 - deficit of \$19). The receivable balance from the Foundation is non-interest bearing, unsecured and has no specified repayment terms.

15. Contingent liabilities and commitments:

(a) Legal actions and claims:

TRCA has received statements of claim as defendant under various legal actions resulting from its involvement in land purchases, fatalities, personal injuries and flooding on or adjacent to its properties. TRCA maintains insurance coverage against such risks and has notified its insurers of the legal actions and claims. It is not possible at this time to determine the outcome of these claims and, therefore, no provision has been made in these financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

15. Contingent liabilities and commitments (continued):

(b) Land expropriations:

TRCA has completed the acquisition of lands required to undertake various projects which includes acquiring lands under the Expropriations Act. A number of properties required for the Revised Project for the Etobicoke Motel Strip were obtained through expropriation from five owners. Funding was from the City of Etobicoke and the Municipality of Metropolitan Toronto (now collectively known as the City of Toronto) and the Province of Ontario. To date four of the expropriations have been settled in the amount of \$23,765 and the compensation has been paid during the 2008 to 2012 fiscal periods.

(c) Lease commitments:

TRCA is committed under various operating leases for office spaces over the next five years and thereafter, with minimum lease payments as follows:

2020	\$ 1,075
2021	585
2022	96
2023	63
2024	16
Thereafter	16
	<hr/>
	\$ 1,851

(d) Loan guarantee:

TRCA and the City of Toronto have jointly and severally provided a loan guarantee in the amount of \$4,600 (2018 - \$4,600) to Evergreen for its financial institutional lender for the Don Valley Brick Works restoration project. As of December 31, 2019, Evergreen's outstanding loan balance is \$1,720 (2018 - \$2,236), and is repayable in monthly installments, with the final payment due on April 15, 2023.

16. Budget figures:

The budget in the statement of operations and accumulated surplus was approved on May 24, 2019.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

17. Contractual rights:

As at December 31, 2019, TRCA estimates contractual rights of \$20,152 (2018 - \$32,930) will be earned in future years.

18. Subsequent event:

Subsequent to year end, on March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on TRCA is unknown at this time.

19. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2019

20. Segmented disclosures:

										2019	2018
	Watershed Studies and Strategies	Water Risk Management	Regional Biodiversity	Greenspace Securement and Management	Tourism and Recreation	Planning and Development	Education and Outreach	Sustainable Communities	Corporate Services	Total	Total
Revenue:											
Government funding	\$ 3,045	\$ 46,314	\$ 14,384	\$ 2,420	\$ 8,077	\$ 2,089	\$ 6,571	\$ 5,944	\$ 12,147	\$ 100,991	\$ 92,334
Authority generated	828	1,232	3,024	5,963	9,925	7,419	3,794	2,180	1,698	36,063	36,823
Investment income	–	7	–	97	–	–	3	–	849	956	851
	3,873	47,553	17,408	8,480	18,002	9,508	10,368	8,124	14,694	138,010	130,008
Expenses:											
Compensation	3,242	11,342	8,854	1,586	9,278	9,136	6,740	5,860	11,495	67,533	65,444
Contract services	400	25,988	4,046	475	2,709	356	1,968	1,160	5,972	43,074	32,483
Materials and supplies	19	3,272	1,981	460	1,560	128	495	193	896	9,004	8,456
Utilities	–	30	6	107	804	–	212	–	86	1,245	1,148
Property taxes	–	–	6	674	–	–	–	–	5	685	942
Amortization of tangible capital assets	1	2,013	88	414	3,500	2	187	445	1,430	8,080	8,085
Internal charges (recoveries)	143	3,909	1,280	371	1,730	268	135	806	(8,642)	–	–
	3,805	46,554	16,261	4,087	19,581	9,890	9,737	8,464	11,242	129,621	116,558
Unrealized loss on derivative financial instrument	–	–	–	–	–	–	–	–	(3,100)	(3,100)	–
Net loss on disposal of tangible capital assets	–	–	–	(30,190)	(49)	–	–	–	(733)	(30,972)	(2,817)
Net surplus (deficit)	\$ 68	\$ 999	\$ 1,147	\$ (25,797)	\$ (1,628)	\$ (382)	\$ 631	\$ (340)	\$ (381)	\$ (25,683)	\$ 10,633